

UNITY OF GREATER NEW ORLEANS, INC.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEARS ENDED
JUNE 30, 2013 AND 2012

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INDEPENDENT AUDITORS' REPORT

To the Governing Board of
UNITY of Greater New Orleans, Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of UNITY of Greater New Orleans, Inc. and its subsidiaries (a nonprofit corporation), which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Louisiana Governmental Audit Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness

To the Governing Board of
UNITY of Greater New Orleans, Inc.

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of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of UNITY of Greater New Orleans, Inc. and its subsidiaries as of June 30, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements of UNITY of Greater New Orleans, Inc. and its subsidiaries as a whole. The consolidating schedules of financial position and consolidating schedules of activities are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

To the Governing Board of
UNITY of Greater New Orleans, Inc.
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2013, on our consideration of UNITY of Greater New Orleans, Inc. and its subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UNITY of Greater New Orleans, Inc. and its subsidiaries' internal control over financial reporting and compliance.

December 30, 2013
New Orleans, Louisiana

Ericksen, Krentel & LaPorte LLP

Certified Public Accountants

UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 1,431,071	\$ 1,096,633
Grant receivables, net of allowance	2,172,465	2,903,407
Other receivables	121,944	46,573
Prepaid expenses and deposits	<u>84,130</u>	<u>89,612</u>
 Total current assets	 <u>3,809,610</u>	 <u>4,136,225</u>
 <u>PROPERTY AND EQUIPMENT, NET</u>	 <u>26,462,978</u>	 <u>21,106,187</u>
 <u>OTHER ASSETS:</u>		
Mortgage costs and financing fees, net	<u>104,181</u>	<u>106,535</u>
 Total other assets	 <u>104,181</u>	 <u>106,535</u>
 Total assets	 <u><u>\$ 30,376,769</u></u>	 <u><u>\$ 25,348,947</u></u>
 <u>CURRENT LIABILITIES:</u>		
Accounts payable and accrued liabilities	\$ 832,244	\$ 1,658,153
Deferred revenue	568,637	440,455
Lines of credit	1,736,507	986,076
Current portion of long-term debt	654,330	802,476
Payments due to subrecipients	<u>1,799,634</u>	<u>1,897,541</u>
 Total current liabilities	 <u>5,591,352</u>	 <u>5,784,701</u>
 <u>LONG-TERM DEBT, NET OF</u>		
<u>CURRENT PORTION</u>	<u>13,884,383</u>	<u>13,003,271</u>
 Total liabilities	 <u>19,475,735</u>	 <u>18,787,972</u>
 <u>NET ASSETS:</u>		
Unrestricted	10,282,452	5,940,659
Temporarily restricted	<u>618,582</u>	<u>620,316</u>
 Total net assets	 <u>10,901,034</u>	 <u>6,560,975</u>
 Total liabilities and net assets	 <u><u>\$ 30,376,769</u></u>	 <u><u>\$ 25,348,947</u></u>

See accompanying NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>REVENUE:</u>			
Grants	\$ 22,299,507	\$ 76,933	\$ 22,376,440
Contributions	83,689	61,890	145,579
Investment income	417	-	417
Other revenue	728,381	-	728,381
Net assets released from restrictions	<u>140,557</u>	<u>(140,557)</u>	<u>-</u>
Total revenue	<u>23,252,551</u>	<u>(1,734)</u>	<u>23,250,817</u>
<u>EXPENSES:</u>			
Program services	19,450,038	-	19,450,038
Supportive services:			
General and administrative	1,695,542	-	1,695,542
Fundraising	<u>103,512</u>	<u>-</u>	<u>103,512</u>
Total expenses	<u>21,249,092</u>	<u>-</u>	<u>21,249,092</u>
Change in ownership interests	<u>2,338,334</u>	<u>-</u>	<u>2,338,334</u>
Increase (decrease) in net assets	4,341,793	(1,734)	4,340,059
Net assets, beginning of year	<u>5,940,659</u>	<u>620,316</u>	<u>6,560,975</u>
Net assets, end of year	<u>\$ 10,282,452</u>	<u>\$ 618,582</u>	<u>\$ 10,901,034</u>

See accompanying NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>REVENUE:</u>			
Grants	\$ 23,591,531	\$ 167,495	\$ 23,759,026
Contributions	116,697	50,000	166,697
Investment income	290	-	290
Other revenue	156,380	-	156,380
Net assets released from restrictions	<u>124,436</u>	<u>(124,436)</u>	<u>-</u>
 Total revenue	 <u>23,989,334</u>	 <u>93,059</u>	 <u>24,082,393</u>
<u>EXPENSES:</u>			
Program services	22,178,358	-	22,178,358
Supportive services:			
General and administrative	1,160,377	-	1,160,377
Fundraising	<u>113,740</u>	<u>-</u>	<u>113,740</u>
 Total expenses	 <u>23,452,475</u>	 <u>-</u>	 <u>23,452,475</u>
 Increase in net assets	 536,859	 93,059	 629,918
 Net assets, beginning of year, as previously reported	 9,353,436	 527,257	 9,880,693
 Prior period adjustments (Note 20)	 <u>(3,949,636)</u>	 <u>-</u>	 <u>(3,949,636)</u>
 Net assets, beginning of year, as restated	 <u>5,403,800</u>	 <u>527,257</u>	 <u>5,931,057</u>
 Net assets, end of year	 <u>\$ 5,940,659</u>	 <u>\$ 620,316</u>	 <u>\$ 6,560,975</u>

See accompanying NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	Supporting Services			Total
	Program Services	General and Administrative	Fundraising	
<u>COMPENSATION AND RELATED EXPENSES:</u>				
Salaries	\$ 1,113,738	\$ 482,381	\$ 58,970	\$ 1,655,089
Fringe benefits	345,311	120,162	16,331	481,804
Total compensation and related benefits	1,459,049	602,543	75,301	2,136,893
<u>OTHER EXPENSES:</u>				
Conferences, conventions and meetings	26,503	31,244	-	57,747
Contracts - subrecipients	9,433,585	-	-	9,433,585
Equipment expense	-	3,127	-	3,127
Interest expense	-	22,646	-	22,646
Client assistance	7,576,749	-	-	7,576,749
Membership dues	-	1,195	-	1,195
Miscellaneous	36,105	27,242	-	63,347
Occupancy	571,284	166,242	-	737,526
Office expenses and supplies	33,752	115,626	-	149,378
Fundraising	-	-	4,211	4,211
Professional fees	244,582	151,574	24,000	420,156
Repairs and maintenance	68,429	-	-	68,429
Research and communications	-	10,000	-	10,000
Uncollectible grant receivable	-	-	-	-
Depreciation and amortization	-	564,103	-	564,103
Total other expenses	17,990,989	1,092,999	28,211	19,112,199
Total functional expenses	\$ 19,450,038	\$ 1,695,542	\$ 103,512	\$ 21,249,092

See accompanying NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

	Supporting Services			Total
	Program Services	General and Administrative	Fundraising	
<u>COMPENSATION AND RELATED EXPENSES:</u>				
Salaries	\$ 1,417,748	\$ 392,402	\$ 50,789	\$ 1,860,939
Fringe benefits	499,037	126,897	14,193	640,127
Total compensation and related benefits	1,916,785	519,299	64,982	2,501,066
<u>OTHER EXPENSES:</u>				
Conferences, conventions and meetings	44,688	43,480	-	88,168
Contracts - subrecipients	11,830,424	38,905	-	11,869,329
Equipment expense	1,418	259	-	1,677
Interest expense	12,647	21,621	-	34,268
Client assistance	7,381,103	-	-	7,381,103
Membership dues	-	100	-	100
Miscellaneous	3,367	16,937	-	20,304
Occupancy	523,896	92,092	-	615,988
Office expenses and supplies	83,350	81,406	-	164,756
Fundraising	-	-	12,758	12,758
Professional fees	109,613	115,484	36,000	261,097
Repairs and maintenance	125,483	-	-	125,483
Research and communications	2,213	-	-	2,213
Uncollectible grant receivable	143,371	-	-	143,371
Depreciation and amortization	-	230,794	-	230,794
Total other expenses	20,261,573	641,078	48,758	20,951,409
Total functional expenses	\$ 22,178,358	\$ 1,160,377	\$ 113,740	\$ 23,452,475

UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:</u>		
Change in net assets	\$ 4,340,059	\$ 629,918
Adjustments to reconcile change in net assets to net cash from (used in) operating activities:		
Depreciation and amortization	564,103	230,794
Non-cash contribution	(426,667)	-
Capital contributions	(2,338,334)	-
(Increase) decrease in:		
Grant receivables	730,942	105,792
Other receivables	(75,371)	(33,394)
Prepaid expenses and deposits	5,482	(61,959)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(825,909)	1,475,055
Deferred revenue	128,182	122,644
Payments due to subrecipients	(97,907)	(255,865)
Net cash from operating activities	<u>2,004,580</u>	<u>2,212,985</u>
<u>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:</u>		
Construction in progress	(5,897,707)	(621,750)
Purchase of property and equipment	(20,833)	(11,306,318)
Net cash (used in) investing activities	<u>(5,918,540)</u>	<u>(11,928,068)</u>
<u>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:</u>		
Net borrowings (repayments) on lines of credit	750,431	761,076
Proceeds from long-term debt	1,185,442	9,263,857
Principal payments on long-term debt	(25,809)	(24,047)
Payments for mortgage costs and financing fees	-	(106,535)
Capital contributions	2,338,334	-
Net cash from financing activities	<u>4,248,398</u>	<u>9,894,351</u>
Net increase in cash and cash equivalents	334,438	179,268
Cash and cash equivalents at beginning of year	<u>1,096,633</u>	<u>917,365</u>
Cash and cash equivalents at end of year	<u>\$ 1,431,071</u>	<u>\$ 1,096,633</u>

See accompanying NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

UNITY of Greater New Orleans, Inc. (UNITY) is a nonprofit corporation organized under the laws of the State of Louisiana. UNITY's mission is to coordinate partnerships to reduce, end and prevent homelessness.

UNITY's wholly owned subsidiaries include, UNITY Housing, Inc. which is a nonprofit corporation organized under the laws of the State of Louisiana, UNITY 2101 Louisiana Avenue, LLC, 2101 Louisiana Apartments, LLC, UNITY 2222 Tulane Avenue, LLC, 2222 Tulane Apartments, LLC, UNITY 3222 Canal Street, LLC and 3222 Canal Apartments, LLC. The subsidiaries were formed to develop and preserve housing through construction, rehabilitation and acquisition for very low, low, and moderate income individuals and families.

During 2012, the Operating Agreement of 2101 Louisiana Apartments, LLC was amended to provide for the admission of a two new members. Prior to this amendment, UNITY 2101 Louisiana Avenue, LLC was the sole member of 2101 Louisiana Apartments, LLC.

Consolidated Financial Statements

For the year ended June 30, 2013, the consolidated financial statements include the accounts of UNITY and its wholly owned subsidiaries, UNITY Housing, Inc., 2222 Tulane Apartments, LLC, and 3222 Canal Apartments, LLC. The financial statements also include the accounts of UNITY's .01% owned subsidiary, 2101 Louisiana Apartments, LLC due to fact that UNITY controls the LLC through its board of members and has an economic interest in its operations.

For the year ended June 30, 2012, the consolidated financial statements include the accounts of UNITY and its wholly owned subsidiaries, UNITY Housing, Inc., 2101 Louisiana Apartments, LLC, 2222 Tulane Apartments, LLC, and 3222 Canal Apartments, LLC.

All other LLC's listed above had no activity for the years ended June 30, 2013 and 2012. All significant intercompany balances and transactions are eliminated.

Method of Reporting

For financial statement purposes, UNITY and its subsidiaries recognize revenues and record expenses on the accrual basis of accounting. Under this method, revenue is recognized when earned, and expenses are recorded when incurred.

UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Ownership Interest of Subsidiary

On September 7, 2012, the Operating Agreement of 2101 Louisiana Apartments, LLC was amended to provide for the admission of an Investor Member (99.98% interest) and Administrative Member (0.01% interest) in exchange for capital contributions and to designate UNITY 2101 Louisiana Avenue, LLC as its Managing Member (0.01% interest).

In return for the ownership interest, 2101 Louisiana Apartments, LLC received capital contributions from the members as follows:

Capital contributions – Investing member	\$ 2,338,234
Capital contributions – Administrative member	<u>100</u>
Unrestricted capital contributions	<u>\$ 2,338,334</u>

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) topic 958, *Not-For-Profit Entities*. Accordingly, UNITY and its subsidiaries are required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Net assets of the restricted class are created only by donor-imposed restrictions on their use. All other net assets including board-designated or appropriated amounts, are legally unrestricted, and are reported as part of the unrestricted class.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Consolidated Statements of Cash Flows, UNITY and its subsidiaries consider all demand deposits, including restricted cash to be used on or before next fiscal year, and all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Values of Financial Instruments

The carrying amounts of cash and cash equivalents reported in the Consolidated Statement of Financial Position approximate fair values because of the short term maturities of those instruments.

Receivables

Receivables consist of grants, rents, and co-developer fees. UNITY and its subsidiaries provide an allowance for doubtful accounts based on management's estimate of the collectability of receivables. Allowance for uncollectible accounts amounted to \$138,370 at June 30, 2013 and 2012.

Property and Equipment

UNITY and its subsidiaries record property and equipment at cost. It is the policy of UNITY and its subsidiaries to capitalize all property and equipment with an acquisition cost in excess of \$5,000. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	20-40 years
Transportation equipment	5 years
Furniture and fixtures	5-10 years

Depreciation expense for the years ended June 30, 2013 and 2012 totaled \$561,749 and \$230,794, respectively.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as increases in restricted net assets. It is UNITY and its subsidiaries policy to imply a time restriction, based on the assets' estimated useful lives, on donations of property and equipment that are not restricted as to their use by the donor. Accordingly, those donations are recorded as increases in temporarily restricted net assets. UNITY and its subsidiaries reclassify temporarily restricted net assets to unrestricted net assets each year for the amount of depreciation expense relating to the donated property.

Mortgage Costs and Financing Fees

Other assets consist of mortgage costs of \$63,535 and LFHA financing fees of \$43,000 reduced by accumulated amortization of \$2,354 and \$0 at June 30, 2013 and 2012, respectively. LFHA financing fees are amortized over a ten year period using the straight-line method. Amortization expense for the year ended June 30, 2013 and 2012 totaled \$2,354 and \$0, respectively.

UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted and Unrestricted Revenue

Contributed support is reported as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when stipulated time restriction end or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as *net assets released from restrictions*.

Grant revenue is recognized as it is earned in accordance with approved contracts unless certain compliance recapture provisions are present. Then the grant revenue is recognized over the term of the compliance period.

Functional Allocation of Expenses

The costs of providing the various programs and other activities of UNITY and its subsidiaries have been summarized on a functional basis in the Consolidated Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates developed by management studies.

Donated Services

Donated services are recognized as contributions in accordance with FASB-ASC 958-605-25, *Revenue Recognition for Not-for-Profit Organizations*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Corporations. No amounts have been reflected in the consolidated financial statements for donated services. However, volunteers provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under FASB-ASC 958-605-25 was established.

Rental Income and Deferred Rent

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between UNITY and its subsidiaries and the tenants of the property are operating leases.

Tenant rent charges for the current month are due on the first of the month. Tenants who are evicted or move out are charged with damages or cleaning fees, if applicable. Tenant accounts receivable consists of amounts due for rental income, other tenant charges and charges for damages and cleaning fees in excess of forfeited security deposits. Interest is not accrued on the tenant accounts receivable balances.

UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management has evaluated subsequent events through December 30, 2013 the date which the financial statements were available to be issued.

(2) RESTRICTED CASH AND RESERVES

Restricted Cash

Included in cash and cash equivalents on the accompanying Consolidated Statements of Financial Position are cash balances totaling \$560,825 and \$544,583 at June 30, 2013 and 2012, respectively, which are ear-marked and temporarily restricted by the donors.

Tenants' Security Deposits

Tenants' security deposits for 2222 Tulane Apartments, LLC are held in a separate bank account in the name of the LLC. At June 30, 2013, security deposit liability amounted to \$40,441. There was no security deposit liability at June 30, 2012.

Operating Reserve

In accordance with the 1602 Regulatory Agreement Financing Certification, 2222 Tulane Apartments, LLC is required to establish an Operating Reserve in the initial amount of \$120,000. At June 30, 2013, the Operating Reserve balance was \$100. At June 30, 2012, the Operating Reserve had not been funded.

Replacement Reserve

In accordance with the CDBG Piggyback Program GAP Financing Loan Agreement and the 1602 Replacement Reserve Agreement, 2222 Tulane Apartments, LLC is required to establish the Replacement Reserve in the initial amount of \$0 and, thereafter, in the amount of \$1,500 per month, or \$18,000 per year, commencing on the first month in which the Project is placed in service. At June 30, 2013 and 2012, the Replacement Reserve balance was \$100.

The Operating Reserve and the Replacement Reserve will be funded upon payment of final draw of CDBG funds.

UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

(3) GRANT RECEIVABLES

Grant receivables at June 30, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
City of New Orleans	\$ 138,370	\$ 1,004,883
State of Louisiana	340,575	347,851
U.S. Department of Housing and Urban Development	1,799,634	1,667,569
U.S. Department of Health and Human Services	<u>32,256</u>	<u>21,474</u>
	2,310,835	3,041,777
Less allowance for uncollectibles	<u>(138,370)</u>	<u>(138,370)</u>
Net grant receivables	<u>\$ 2,172,465</u>	<u>\$ 2,903,407</u>

(4) PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Buildings	\$ 19,334,405	\$ 20,020,688
Transportation equipment	55,731	55,731
Furniture and fixtures	<u>755,249</u>	<u>738,133</u>
	20,145,385	20,814,552
Less accumulated depreciation	<u>(2,109,074)</u>	<u>(1,509,513)</u>
Net depreciable property and equipment	18,036,311	19,267,227
Construction in progress	6,561,711	664,004
Land	<u>1,864,956</u>	<u>1,174,956</u>
Net property and equipment	<u>\$ 26,462,978</u>	<u>\$ 21,106,187</u>

UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

(5) LONG-TERM DEBT

Long-term debt at June 30, 2013 and 2012 consists of the following:

	<u>2013</u>	<u>2012</u>
Note payable to bank (a related party), due January 2019, with a 6.8% interest rate. Monthly payments of \$3,058, including interest. Collateralized by land and building located on MLK Blvd. and LaSalle with an original cost basis of \$1,114,460.	\$ 142,280	\$ 168,089
Note payable to private foundation, due May 2014, with a 5% interest rate. Interest payments are due annually. Guaranteed by Gulf Coast Housing Partnership and Common Ground Institute for the rehabilitation of 3222 Canal Street.	200,000	200,000
Note payable to private foundation, due August 2015, with a 0% interest rate. Principal is due upon maturity. Guaranteed by Common Ground Institute for the rehabilitation of 2222 Tulane Ave and 3222 Canal Street.	150,000	150,000
\$7,590,000 gap financing loan from State of Louisiana, Division of Administration Office of Community Development with a 0% interest rate. Beginning July 1, 2013, annual installments due solely from surplus cash generated from the operation of the project. Loan matures on December 10, 2045. All payments due hereunder shall be payable only out of and to the extent of the surplus cash approved by OCD as follows: each annual installment shall be paid solely from surplus cash, to the extent that surplus cash is generated from the operation of the Project, in an amount equal to the sum of (a) one-third (1/3) of the first \$60,000 of surplus cash; plus (b) two-thirds (2/3) of surplus cash in excess of \$60,000 of surplus cash. The loan is secured by a leasehold mortgage on the property located at 2222 Tulane Avenue.	7,210,500	6,025,058

UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

(5) LONG-TERM DEBT (CONTINUED)

	<u>2013</u>	<u>2012</u>
<p>\$862,600 HOME award from LHC, formerly LA Housing Finance Agency with a 0% interest rate. The loan will mature on April 1, 2046, which is the date all unpaid sums under the note are due and payable. The loan also details that payments shall be made only out of and to the extent of the cash flow of 2222 Tulane Apartments LLC after payment of all operating expenses approved by LHC. As a condition to obtaining this financing, 2222 Tulane Apartments, LLC has entered into a regulatory agreement with LHC. Rentals to tenants of low income and restrictions of rents charged are two major conditions of the regulatory agreement. Should LHC issue a written notice of an instance of noncompliance with the regulatory agreement, the LLC has 30 days from the issuance of such notice to correct the noncompliance. Should the noncompliance not be corrected within the 30 days, LHC has the authority to declare the entire amount of mortgage immediately due and payable.</p>	862,600	862,600
<p>\$6,400,000 sub award investment agreement from LHC, formerly LA Housing Finance Agency, with a 0% interest rate. The note shall mature on the earliest to occur (i) Recapture Event; (ii) acceleration following an event of default under the permanent loan documents that is not cured within any applicable grace or cure period; or (iii) June 30, 2026, the last day of the compliance period for the Project. At the end of each year during the Compliance Period and so long as no Recapture Event has occurred, the principal amount of the 1602 Note shall be reduced by an amount equal to the principal balance of the Note as of the 1st day of the Compliance Period times a fraction in which the numerator is one (1) and the denominator is fifteen (15). The note is collateralized by the 1602 Act of Mortgage for the property located at 2222 Tulane Avenue.</p>	<u>5,973,333</u>	<u>6,400,000</u>

UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

(5) LONG-TERM DEBT (CONTINUED)

	<u>2013</u>	<u>2012</u>
Total debt	\$ 14,538,713	\$ 13,805,747
Less amount due in one year	<u>(654,330)</u>	<u>(802,476)</u>
Total long-term debt	<u>\$ 13,884,383</u>	<u>\$ 13,003,271</u>

Interest incurred on these notes for the year ended June 30, 2013 totaled \$16,556, of which \$10,885 is included in interest expense on the Consolidated Statement of Activities and \$5,671 is included in construction in progress on the Consolidated Statement of Financial Position at June 30, 2013.

Interest incurred on these notes and included in interest expense on the Consolidated Statement of Activities for the year ended June 30, 2012 totaled \$18,647.

The aggregate maturities of the long-term debt consist of the following:

<u>Year ending June 30,</u>		<u>Annual Reduction*</u>
2014	\$ 654,330	\$ 426,667
2015	456,318	426,667
2016	608,436	426,667
2017	460,731	426,667
2018	445,800	426,667
Thereafter	<u>11,913,098</u>	<u>3,839,998</u>
	<u>\$ 14,538,713</u>	<u>\$ 5,973,333</u>

* As stated above, the \$6,400,000 sub-award agreement with LHC provides for an annual reduction (non-cash) of the note over the 15 year compliance period.

(6) REVOLVING LINES OF CREDIT

UNITY had a revolving line of credit in the amount of \$350,000 that was utilized for working capital needs. This line of credit matured November 29, 2012, at which time the outstanding balance was paid in full. As a result, there was no outstanding balance at June 30, 2013. The outstanding balance was \$250,000 at June 30, 2012. Interest on the outstanding balance accrued at a rate equal to the Prime Rate, which was 4.5% at maturity, and was payable monthly. Interest incurred and paid on the line of credit for the years ended June 30, 2013 and 2012 totaled \$3,779 and \$5,157, respectively.

UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

(6) REVOLVING LINES OF CREDIT (CONTINUED)

During the year ended June 30, 2012, UNITY obtained an additional revolving line of credit from Hope Federal Credit Union in the amount of \$750,000 that is utilized for working capital needs. At June 30, 2013 and 2012, the outstanding balance was \$177,790 and \$736,076, respectively. Interest on outstanding balance accrues at a rate equal to the Prime Rate, currently 4.5%, and is payable monthly. The credit line matures on January 30, 2014, at which time any outstanding principal and accrued interest are payable in full. Interest incurred and paid on the line of credit for the years ended June 30, 2013 and 2012 totaled \$7,982 and \$10,464, respectively.

During the year ended June 30, 2013, 2101 Louisiana Apartments, LLC obtained a construction line of credit from Bank of America in the amount of \$4,300,000 that is utilized for the construction. At June 30, 2013, the outstanding balance was \$1,558,717. Interest on outstanding balance accrues at a rate equal to BBA LIBOR Daily Floating Rate plus 275 basis points per annum, currently 2.94%, and is payable monthly. The line matures on September 7, 2014, at which time any outstanding principal and accrued interest are payable in full. Interest incurred on the line of credit for the year ended June 30, 2013 totaled \$7,878, which was capitalized in construction in progress.

(7) LEASE COMMITMENTS

UNITY leases its administrative facility under an operating lease; five units are included in the lease. The lease expires July 31, 2014 and the monthly rental amount is \$4,831. UNITY leases warehouse space for the storage of furniture and equipment. The lease expires February 28, 2014 and monthly rental amount is \$900. The rental expense for the years ended June 30, 2013 and 2012 totaled \$63,868 and \$78,734, respectively.

Minimum future rental expense for the years end June 30th are as follows:

2014	\$	65,076
2015		<u>4,831</u>
Total	\$	<u>69,907</u>

(8) TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2013 and 2012, the temporarily restricted net assets are available for the following purposes:

	<u>2013</u>	<u>2012</u>
Baronne Street building	\$ 17,867	\$ 50,270
MLK/LaSalle property	1,890	-
Client assistance	38,000	25,463
Grant restrictions	<u>560,825</u>	<u>544,583</u>
	<u>\$ 618,582</u>	<u>\$ 620,316</u>

UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

(9) OTHER REVENUE

Other revenue consists of the following for the years ended June 30th:

	<u>2013</u>	<u>2012</u>
Rental income – 2222 Tulane	\$ 462,994	\$ 34,683
Co-developer fees	210,238	69,538
Other revenues	<u>55,149</u>	<u>52,159</u>
	<u>\$ 728,301</u>	<u>\$ 156,380</u>

(10) INCOME TAXES

UNITY and UNITY Housing, Inc are exempt from corporate income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and have been classified as organizations other than a private foundation under Section 509(a)(2). The remaining subsidiary LLC's mentioned above are disregarded entities under IRS guidelines and therefore their operations are considered by the IRS as tax exempt under the provisions of IRC Section 501(c)(3). Therefore, the subsidiary LLC's activities are reported in UNITY's annual Form 990 filing.

UNITY and subsidiaries evaluation as of June 30, 2013 and 2012 revealed no tax positions that would have a material impact on the financial statements. The 2010 through 2012 tax years remain subject to examination by the IRS. UNITY and subsidiaries do not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

(11) SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid during the years ended June 30, 2013 and 2012 for interest was \$37,689 and \$34,268, respectively.

Non-cash Financing Activities

Non-cash financing activities for the year ended June 30, 2013, consist of \$426,667 of debt forgiveness by LHC, formerly LA Housing Finance Agency, for the 1602 Act of Mortgage disclosed in Note 5.

Non-cash Investing Activities

Non-cash investing activities for the year ended June 30, 2013, consist of transactions related to the change in ownership as stated in Note 1, which caused a decrease in property and equipment of \$1,460,060 offset by an increase in note receivable of \$595,060 and an increase in investment in affiliate of \$865,000.

UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

(12) RELATED PARTY TRANSACTIONS

Various UNITY directors are employed by agencies that receive funds from UNITY as subrecipients.

A note payable, detailed in Note 5, with an outstanding amount of \$142,280 and \$168,089 at June 30, 2013 and 2012, respectively, is from a financial institution that employs a UNITY director in an executive capacity.

(13) CONCENTRATIONS OF CREDIT RISKS

UNITY and its subsidiaries maintain their cash in bank deposit accounts at various financial institutions. The balances at times may exceed federally insured limits. Total cash held at June 30, 2013 and 2012 includes \$662,335 and \$195,610, respectively in excess of amounts covered by insurance provided by the Federal Deposit Insurance Corporation, respectively. UNITY and its subsidiaries have not experienced any losses in these accounts.

(14) BOARD OF DIRECTORS COMPENSATION

The Board of Directors is a voluntary board; therefore no compensation was paid to any board member during the years ended June 30, 2013 and 2012.

(15) RETIREMENT PLAN

UNITY sponsors a defined contribution retirement plan covering all employees twenty-one years or older who have worked a minimum of six months. UNITY decides the amount, if anything, to contribute each year to the individual retirement accounts for the eligible employees based on a percentage of annual compensation. The percentage, determined by the Board of Directors, was 5% which totaled \$78,238 and \$85,339 for the years ended June 30, 2013 and 2012, respectively.

(16) FEDERALLY ASSISTED PROGRAMS

UNITY and its subsidiaries participate in a number of federally assisted programs. The programs are audited in accordance with the *Single Audit Act*, where applicable. Audits of prior years have not resulted in any disallowed costs; however, grantor agencies may provide for future examinations. Management believes that future examinations would not result in any significant disallowed costs.

(17) CONTINGENCY

UNITY and its subsidiaries are currently undergoing a limited review of the financial records by the Louisiana Legislative Auditor's Office. The results of the review have not been communicated as of December 30, 2013 the date which the financial statements were available to be issued.

UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

(18) COMMITMENT

Management Fees

In July 2012, 2222 Tulane Apartments, LLC entered into a Property Management Agreement with HRI Management Corporation (HRI). The term of the agreement is for a period of one year. The Base Management Fee to be paid to HRI on a monthly basis is the greater of \$2,500 per month or 6% of gross revenues. For the year ended June 30, 2013 and 2012, management fees incurred totaled \$111,330 and \$5,000, respectively.

Construction Contract

On March 28, 2013, 3222 Canal Apartments, LLC entered into a \$3,583,267 construction contract for the renovation of the building located at 3222 Canal Street. The complex is planned to contain 108 affordable units for low income tenants. The remaining necessary funding is committed through federal and state sources.

(19) ECONOMIC DEPENDENCY

UNITY and its subsidiaries receive the majority of their revenue from funds provided through direct grants from the U.S. Department of Housing and Urban Development, the U.S. Department of Health and Human Services and pass-through grants through the State of Louisiana and the City of New Orleans. The grant amounts are appropriated each year by the federal government. If significant budget cuts are made at the federal level, the amount of the funds UNITY receives could be reduced significantly and have an adverse impact on its operations. As of the report date, management was not aware of any actions taken that would adversely affect the amount of funds to be received in the next fiscal year. UNITY and subsidiaries' support through federal grants totaled approximately 90% of revenue for the years ended June 30, 2013 and 2012.

(20) PRIOR PERIOD ADJUSTMENTS

Change in Accounting Policy

UNITY's subsidiary, 2222 Tulane Apartments, LLC received construction grant proceeds in the fiscal year ended June 30, 2011 and 2012 totaling \$4,023,801 and \$3,238,799, respectively. In accordance with the grant program, management recognized these proceeds as grant revenues in the periods received. During the current year, management opted to change the accounting policy related to this type of grant revenue recognition. For all grants with certain compliance related recapture provisions, UNITY and its subsidiaries will record the grant revenue over the term of the compliance periods. So, retroactively for this grant, management made a prior period adjustment to reflect this change in policy. 2222 Tulane Apartments, LLC's beginning net assets at July 1, 2012 were adjusted by \$4,023,801 and grant revenue was reduced by \$3,238,799 for the year ended June 30, 2012.

UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

(20) PRIOR PERIOD ADJUSTMENTS (CONTINUED)

Correction of Errors

UNITY's subsidiary, 2101 Louisiana Apartments, LLC incurred construction costs in the fiscal year ended June 30, 2011 totaling \$27,171. During the current year management determined that these items should have been capitalized in to construction costs. To correct this error, 2101 Louisiana Apartments' beginning net assets at July 1, 2012 were adjusted by \$27,171.

In addition, 2222 Tulane Apartments, incurred construction costs in the fiscal year ended June 30, 2011 totaling \$46,994. During the current year management determined that these items should have been capitalized in to construction costs. To correct this error 2222 Tulane Apartments' beginning net assets at July 1, 2012 were adjusted by \$46,994.

UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES
CONSOLIDATING SCHEDULES OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	UNITY of Greater New Orleans, Inc.	UNITY Housing, Inc.	2101 Louisiana Apartments, LLC	2222 Tulane Apartments, LLC	3222 Canal Apartments, LLC	Eliminations	Total
<u>CURRENT ASSETS:</u>							
Cash and cash equivalents	\$ 901,134	\$ 11,035	\$ 123,476	\$ 385,311	\$ 10,115	\$ -	\$ 1,431,071
Grant receivables, net of allowance	2,172,465	-	-	-	-	-	2,172,465
Other receivables	438,238	-	-	14,333	-	(330,627)	121,944
Prepaid expenses and deposits	2,757	11,000	-	70,373	-	-	84,130
Total current assets	3,514,594	22,035	123,476	470,017	10,115	(330,627)	3,809,610
<u>PROPERTY AND EQUIPMENT, NET</u>	2,362,080	-	7,034,053	15,806,979	1,259,866	-	26,462,978
<u>OTHER ASSETS:</u>							
Note receivable	2,029,904	-	-	-	-	(2,029,904)	-
Mortgage costs and financing fees, net	-	-	-	104,181	-	-	104,181
Investment in affiliate	865,000	-	-	-	-	(865,000)	-
Total other assets	2,894,904	-	-	104,181	-	(2,894,904)	104,181
Total assets	\$ 8,771,578	\$ 22,035	\$ 7,157,529	\$ 16,381,177	\$ 1,269,981	\$ (3,225,531)	\$ 30,376,769
<u>CURRENT LIABILITIES:</u>							
Accounts payable and accrued liabilities	\$ 117,185	\$ 8,415	\$ 2,395,478	\$ 379,070	\$ 292,627	\$ (2,360,531)	\$ 832,244
Deferred revenue	568,637	-	-	-	-	-	568,637
Lines of credit	177,790	-	1,558,717	-	-	-	1,736,507
Current portion of long-term debt	227,663	-	-	426,667	-	-	654,330
Payments due to subrecipients	1,799,634	-	-	-	-	-	1,799,634
Total current liabilities	2,890,909	8,415	3,954,195	805,737	292,627	(2,360,531)	5,591,352
<u>LONG-TERM DEBT, NET OF CURRENT PORTION</u>							
Total liabilities	264,617	-	-	13,619,766	-	-	13,884,383
	3,155,526	8,415	3,954,195	14,425,503	292,627	(2,360,531)	19,475,735
<u>NET ASSETS:</u>							
Unrestricted							
Unrestricted - net assets	4,997,470	13,620	-	1,955,674	977,354	-	7,944,118
Unrestricted - capital	-	-	3,203,334	-	-	(865,000)	2,338,334
Temporarily restricted	618,582	-	-	-	-	-	618,582
Total net assets	5,616,052	13,620	3,203,334	1,955,674	977,354	(865,000)	10,901,034
Total liabilities and net assets	\$ 8,771,578	\$ 22,035	\$ 7,157,529	\$ 16,381,177	\$ 1,269,981	\$ (3,225,531)	\$ 30,376,769

(See Independent Auditors' Report)

UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES
CONSOLIDATING SCHEDULES OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2012

	UNITY of Greater New Orleans, Inc.	UNITY Housing, Inc.	2101 Louisiana Apartments, LLC	2222 Tulane Apartments, LLC	3222 Canal Apartments, LLC	Eliminations	Total
<u>CURRENT ASSETS:</u>							
Cash and cash equivalents	\$ 973,437	\$ 26,114	\$ 100	\$ 94,249	\$ 2,733	\$ -	\$ 1,096,633
Grant receivables, net of allowance	3,334,743	-	-	86,334	25,000	(542,670)	2,903,407
Other receivables	12,389	-	-	34,184	-	-	46,573
Prepaid expenses and deposits	6,067	11,000	-	67,545	5,000	-	89,612
Total current assets	4,326,636	37,114	100	282,312	32,733	(542,670)	4,136,225
<u>PROPERTY AND EQUIPMENT, NET</u>	2,477,216	788	1,483,394	16,231,971	912,818	-	21,106,187
<u>OTHER ASSETS:</u>							
Note receivable	-	-	-	-	-	-	-
Mortgage costs and financing fees, net	-	-	-	106,535	-	-	106,535
Investment in affiliate	-	-	-	-	-	-	-
Total other assets	-	-	-	106,535	-	-	106,535
Total assets	\$ 6,803,852	\$ 37,902	\$ 1,483,494	\$ 16,620,818	\$ 945,551	\$ (542,670)	\$ 25,348,947
<u>CURRENT LIABILITIES:</u>							
Accounts payable and accrued liabilities	\$ 230,947	\$ 16,390	\$ 23,434	\$ 1,593,010	\$ 337,042	\$ (542,670)	\$ 1,658,153
Deferred revenue	440,455	-	-	-	-	-	440,455
Line of credit	986,076	-	-	-	-	-	986,076
Current portion of long-term debt	375,809	-	-	426,667	-	-	802,476
Payments due to subrecipients	1,897,541	-	-	-	-	-	1,897,541
Total current liabilities	3,930,828	16,390	23,434	2,019,677	337,042	(542,670)	5,784,701
<u>LONG-TERM DEBT, NET OF CURRENT PORTION</u>	142,280	-	-	12,860,991	-	-	13,003,271
Total liabilities	4,073,108	16,390	23,434	14,880,668	337,042	(542,670)	18,787,972
<u>NET ASSETS:</u>							
Unrestricted	2,110,428	21,512	1,460,060	1,740,150	608,509	-	5,940,659
Temporarily restricted	620,316	-	-	-	-	-	620,316
Total net assets, restated	2,730,744	21,512	1,460,060	1,740,150	608,509	-	6,560,975
Total liabilities and net assets	\$ 6,803,852	\$ 37,902	\$ 1,483,494	\$ 16,620,818	\$ 945,551	\$ (542,670)	\$ 25,348,947

(See Independent Auditors' Report)

UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES
CONSOLIDATING SCHEDULES OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	UNITY of Greater New Orleans, Inc.	UNITY Housing, Inc.	2101 Louisiana Apartments, LLC	2222 Tulane Apartments, LLC	3222 Canal Apartments, LLC	Eliminations	Total
REVENUE:							
Grants	\$ 21,890,528	\$ 320,216	\$ -	\$ 742,734	\$ 369,567	\$ (946,605)	\$ 22,376,440
Contributions	145,579	-	-	-	-	-	145,579
Investment income	417	-	-	-	-	-	417
Other revenues	265,169	41,864	-	463,132	80	(41,864)	728,381
Total revenue	22,301,693	362,080	-	1,205,866	369,647	(988,469)	23,250,817
EXPENSES:							
Salaries	1,655,089	-	-	46,850	-	(46,850)	1,655,089
Fringe benefits	481,805	-	-	12,395	-	(12,396)	481,804
Conferences, conventions and meetings	55,555	2,109	-	83	-	-	57,747
Contracts - subrecipients	9,951,377	-	-	-	-	(517,792)	9,433,585
Equipment expense	1,893	1,234	-	-	-	-	3,127
Interest expense	22,646	-	-	-	-	-	22,646
Client assistance	7,576,749	-	-	-	-	-	7,576,749
Membership dues	1,195	-	-	-	-	-	1,195
Miscellaneous	10,661	4,795	-	47,891	-	-	63,347
Occupancy	238,823	266,153	-	231,748	802	-	737,526
Office expenses and supplies	112,204	26,249	-	10,925	-	-	149,378
Fundraising	4,211	-	-	-	-	-	4,211
Professional fees	227,670	215	-	192,271	-	-	420,156
Repairs and maintenance	411,431	68,429	-	-	-	(411,431)	68,429
Research and communications	10,000	-	-	-	-	-	10,000
Uncollectible grant receivable	-	-	-	-	-	-	-
Depreciation and amortization	115,136	788	-	448,179	-	-	564,103
Total expenses	20,876,445	369,972	-	990,342	802	(988,469)	21,249,092
Change in ownership interests	1,460,060	-	878,274	-	-	-	2,338,334
Increase (decrease) in net assets	2,885,308	(7,892)	878,274	215,524	368,845	-	4,340,059
Net assets, beginning of year	2,730,744	21,512	1,460,060	1,740,150	608,509	-	6,560,975
Net assets, end of year	\$ 5,616,052	\$ 13,620	\$ 2,338,334	\$ 1,955,674	\$ 977,354	\$ -	\$ 10,901,034

(See Independent Auditors' Report)

UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES
CONSOLIDATING SCHEDULES OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	UNITY of Greater New Orleans, Inc.	UNITY Housing, Inc.	2101 Louisiana Apartments, LLC	2222 Tulane Apartments, LLC	3222 Canal Apartments, LLC	Eliminations	Total
<u>REVENUE:</u>							
Grants	\$ 23,394,854	\$ 314,172	\$ 595,060	\$ 55,268	\$ 625,000	\$ (1,225,328)	\$ 23,759,026
Contributions	166,697	-	-	-	-	-	166,697
Investment income	290	-	-	-	-	-	290
Other revenues	121,066	-	-	35,314	-	-	156,380
Total revenue	23,682,907	314,172	595,060	90,582	625,000	(1,225,328)	24,082,393
<u>EXPENSES:</u>							
Salaries	1,860,939	-	-	-	-	-	1,860,939
Fringe benefits	644,381	-	-	-	-	-	644,381
Conferences, conventions and meetings	85,453	2,715	-	-	-	-	88,168
Contracts - subrecipients	13,094,657	-	-	-	-	(1,225,328)	11,869,329
Equipment expense	259	1,418	-	-	-	-	1,677
Interest expense	34,268	-	-	-	-	-	34,268
Client assistance	7,381,103	-	-	-	-	-	7,381,103
Membership dues	100	-	-	-	-	-	100
Miscellaneous	20,087	217	-	-	-	-	20,304
Occupancy	257,236	208,207	-	134,054	16,491	-	615,988
Office expenses and supplies	138,354	26,402	-	-	-	-	164,756
Fundraising	12,758	-	-	-	-	-	12,758
Professional fees	252,804	4,039	-	-	-	-	256,843
Repairs and maintenance	53,002	72,481	-	-	-	-	125,483
Research and communications	2,213	-	-	-	-	-	2,213
Uncollectible grant receivable	143,371	-	-	-	-	-	143,371
Depreciation and amortization	116,528	3,156	-	111,110	-	-	230,794
Total expenses	24,097,513	318,635	-	245,164	16,491	(1,225,328)	23,452,475
Increase (decrease) in net assets	(414,606)	(4,463)	595,060	(154,582)	608,509	-	629,918
Net assets, beginning of year, as previously reported	3,145,350	25,975	837,829	5,871,539	-	-	9,880,693
Prior period adjustments	-	-	27,171	(3,976,807)	-	-	(3,949,636)
Net assets, beginning of year, as restated	3,145,350	25,975	865,000	1,894,732	-	-	5,931,057
Net assets, end of year	\$ 2,730,744	\$ 21,512	\$ 1,460,060	\$ 1,740,150	\$ 608,509	\$ -	\$ 6,560,975

(See Independent Auditors' Report)

UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through or Grantor/Program or Cluster Title	Federal CFDA Number	Agency or Pass-through Grantor's Number	Federal Expenditures	Subrecipient Costs
U.S. Department of Housing and Urban Development				
Supportive Housing Program	14.235	various	\$ 9,746,485	\$ 7,929,715
Housing Opportunities for People with AIDS	14.241	LAH100014	179,795	172,477
<i>Pass - Through Department of Health and Hospitals:</i>				
Department of Health and Hospitals:				
Shelter Plus Care	14.238	LA0086C6H031003	8,567,118	878,807
Department of Health and Hospitals	14.218	712196	98,785	-
<i>Pass - Through City of New Orleans:</i>				
Shelter Plus Care	14.238		46,492	-
ARRA - Homeless Prevention and Rapid-Re-housing Program	14.257	HPRP-009(09)	62,126	32,595
<i>Pass - Through New Orleans Redevelopment Authority:</i>				
ARRA - Neighborhood Stabilization Program 2	14.256	B-09-CN-LA-0041	1,434,844	-
Total U.S. Department of Housing and Urban Development			<u>20,135,645</u>	<u>9,013,594</u>
U.S. Department of Health and Human Services				
Projects for Assistance in Transition from Homelessness	93.150	714551	131,525	-
Substance Abuse and Mental Health Services Administration	93.243	various	914,567	600,924
Total U.S. Department of Health and Human Services			<u>1,046,092</u>	<u>600,924</u>
Total Expenditures of Federal Awards			<u>\$ 21,181,737</u>	<u>\$ 9,614,518</u>

UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 – SCOPE OF AUDIT PURSUANT TO *GOVERNMENT AUDITING STANDARDS*, OMB CIRCULAR A-133, “AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS” AND THE SINGLE AUDIT ACT OF 1984 AND 1996 AMENDMENTS

All federal grant operations of Unity of Greater New Orleans, Inc. and its subsidiaries are included in the scope of the single audit. Those programs which were major grants and selected for specific testing were:

Supportive Housing Programs (CFDA No. 14.235)
Neighborhood Stabilization Program 2 (CFDA No. 14.256)

NOTE 2 – FISCAL PERIOD AUDIT

Single audit testing procedures were performed for program transactions occurring during the year ended June 30, 2013.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when Unity of Greater New Orleans, Inc. and its subsidiaries has met the qualifications for the respective grants.

Accrued and Deferred Reimbursement

Various reimbursement procedures are used for federal awards received by Unity of Greater New Orleans, Inc. and its subsidiaries. Consequently, timing differences between expenditures and program reimbursements can exist at the beginning and end of the year. Accrued balances at year end represent an excess of reimbursable expenditures over cash reimbursements and expenditures will be reversed in the remaining grant period.

Pass-Through Entity Information

Pass-through entity identifying numbers are presented where available.

Non-Cash Assistance

As further disclosed in Note 5 to the financial statements, Unity of Greater New Orleans, Inc. and its subsidiaries has an outstanding gap financing loan with the State of Louisiana, Division of Administration Office of Community Development (CFDA No. 14.228), originating in December of 2010 with a 0% interest rate and principle balance of \$7,210,500 due as of June 30, 2013.

UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-Cash Assistance (continued)

During the year ended June 30, 2013, Unity of Greater New Orleans, Inc. and its subsidiaries received a Neighborhood Stabilization Program 2 bridge loan for \$350,000 which was paid off in March of 2013.

Payments to Subrecipients

Payments to subrecipients are disclosed on the face of the Schedule of Expenditures of Federal Awards for the year ended June 30, 2013.

Note Receivable

On September 7, 2012, 2101 Louisiana Apartments, LLC, a related party, executed a promissory note bearing interest of 1.5% in the amount of \$2,030,000 payable to Unity of Greater New Orleans, Inc. For the year ended June 30, 2013 and 2012, \$1,434,844 and \$595,000, respectively, is reported on the Schedule of Expenditures of Federal Awards as CFDA#14.256, Neighborhood Stabilization Program 2.

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*PROFESSIONAL CORPORATION

†LIMITED LIABILITY COMPANY

BENJAMIN J. ERICKSEN - DECEASED
J.V. LEGLERE KRENTEL - DECEASED

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Governing Board of
UNITY of Greater New Orleans, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of UNITY of Greater New Orleans, Inc. and its subsidiaries (a non-profit corporation), which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered UNITY of Greater New Orleans, Inc. and its subsidiaries' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of UNITY of Greater New Orleans, Inc. and its subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Governing Board of
UNITY of Greater New Orleans, Inc.
December 30, 2013
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether UNITY of Greater New Orleans, Inc. and its subsidiaries' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose and is intended solely for the information and use of management, the Board of Directors, the Louisiana Legislative Auditor, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

December 30, 2013
New Orleans, Louisiana

Ericksen, Krentel & LaPorte LLP

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Governing Board of
UNITY of Greater New Orleans, Inc.

Report on Compliance for Each Major Federal Program

We have audited UNITY of Greater New Orleans, Inc. and its subsidiaries' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of UNITY of Greater New Orleans, Inc. and its subsidiaries' major federal programs for the year ended June 30, 2013. UNITY of Greater New Orleans, Inc. and its subsidiaries' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of UNITY of Greater New Orleans, Inc. and its subsidiaries' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about UNITY of Greater New Orleans, Inc. and its subsidiaries' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of UNITY of Greater New Orleans, Inc. and its subsidiaries' compliance.

To the Governing Board of
UNITY of Greater New Orleans Inc.
December 30, 2013
Page 3

Opinion on Each Major Federal Program

In our opinion, UNITY of Greater New Orleans, Inc. and its subsidiaries complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of UNITY of Greater New Orleans, Inc. and its subsidiaries is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered UNITY of Greater New Orleans, Inc. and its subsidiaries' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of UNITY of Greater New Orleans, Inc. and its subsidiaries' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Governing Board of
UNITY of Greater New Orleans, Inc.
December 30, 2013
Page 2

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose and is intended solely for the information and use of management, the Board of Directors, the Louisiana Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

December 30, 2013
New Orleans, Louisiana

Erickson, Krentel & Laporte LLP

Certified Public Accountants

UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

SECTION I SUMMARY OF AUDITORS' REPORTS

1. The auditors' report expresses an unqualified opinion on the consolidated financial statements of UNITY of Greater New Orleans, Inc. and its subsidiaries.
2. No significant deficiencies in internal control relating to the audit of the financial statements is reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Prepared in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of UNITY of Greater New Orleans, Inc. and its subsidiaries, which would be required to be reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Prepared in Accordance with *Government Auditing Standards*.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for UNITY of Greater New Orleans, Inc. and its subsidiaries expresses an unqualified opinion.
6. There were no audit findings required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs were:

<u>14.235</u>	<u>Supportive Housing Programs</u>
<u>14.256</u>	<u>Neighborhood Stabilization Program 2</u>
8. The threshold for distinguishing Types A and B programs was \$645,952.
9. UNITY of Greater New Orleans, Inc. and its subsidiaries qualified as a low-risk auditee.
10. A management letter was not issued for the year ended June 30, 2013.

UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

SECTION II FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statements for the year ended June 30, 2013.

**SECTION III FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD
PROGRAM AUDIT**

There were no findings related to major federal award programs for the year ended June 30, 2013.

UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

SECTION I FINDINGS RELATED TO THE FINANCIAL STATEMENTS

Not applicable

**SECTION II FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR
FEDERAL AWARD PROGRAMS**

Not applicable

SECTION III MANAGEMENT LETTER

Not applicable